Testimony of

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Chairman Upton, Ranking Member Markey, Members of the Subcommittee, ladies and gentlemen. Good morning. My name is Michael Quigley, I am the Chief Executive Officer of Alcatel North America and the President of Alcatel's global Fixed Communications Group.

Thank you for this opportunity to speak before the Subcommittee concerning the development of communications technologies using Internet Protocol. First, I would like to provide the Subcommittee with a little background concerning Alcatel and the equipment and services we offer to the marketplace. Alcatel is a global company with operations in 130 countries; 2004 revenues of 12.3 billion Euros; and worldwide employees totaling 56,000. The North American market is vital to the future of Alcatel and the entire technology industry. Alcatel has made over $17 billion in technology investments in North America. We have 9,000 people here, and dedicate more than 20% of our North American revenue to research & development that we conduct in North America – a higher percentage than we reinvest worldwide. Our global R&D centers for IP routing and enterprise applications are based in California, and our global R&D center for fiber to the home technologies is based in North Carolina. Alcatel's customers include traditional telephone companies, mobile carriers, private and public enterprises, transportation networks, and satellite operators.

Mr. Chairman, the world is at a threshold of a communications revolution, and Alcatel sees IP technologies as the driver for this new generation of communications services. IP

enables service providers and enterprises to offer a wide array of applications, including voice, video, and data, over a unified network that does not discriminate based on any particular application. This drives both increased productivity for businesses and enhanced consumer choice and experience.

Ongoing investment in IP technologies is driven by both demand and supply. First is the demand for what we call "user centric services." We've conducted primary research, as have others, that show that end users prefer to have their communications services available to them ubiquitously, regardless of what device they are using, or what network they are accessing. For example, I prefer to have my same email available to me on my PC at home, my PC at work, and my cell phone. If I have to forward it between those three, I lose precious time. By the same token, a doctor who can log into any phone or PC at his local hospital, and have that network automatically recognize him, and provide his email, voicemail, and secure access to his patient's records is going to have more time for patients. Moreover, he can be sure he is not missing vital information that he might otherwise have had to check multiple devices or networks to get. Today, we each have services that are only available on a particular device or network. Tomorrow, we can securely move information more effectively, and attach it to a user's profile across multiple devices and networks. IP is the technology that makes these user centric services possible.

The second key enabler of this user centric world is the growing ubiquity of broadband. It was not long ago that residential broadband was nonexistent. Traditionally, the local access networks – that is the "last mile" to the customer – were a bottleneck of slow, dial-up speeds. An offering of integrated voice, data, and video to a customer would not have much appeal if the user had to turn off his computer to use the voice services or watch video that took hours to download. Today, there are approximately 150 million broadband customers throughout the world, including 32 million here in the U.S. Alcatel is the worldwide and North American leader in broadband access technologies, with over 50 million digital subscriber lines shipped to service providers.

This combination of widespread broadband supply and user-centric demand creates a tall order for service providers and enterprises alike, and they turn to technology leaders like Alcatel to help. This is where IP-based technologies come into play. IP enables us to provide all of these integrated services over a unified network with high levels of interactivity, security, and quality of service. Service providers gain the efficiency of a unified network that offers voice, data, and video to the customer, while satisfying the customer's demand to be at the center of their communications universe.

The importance of IP-based technologies to satisfy this demand is best made with examples. Chairman Upton, I know that you have a particular interest in education technology, and Alcatel shares your appreciation for what technology can bring to the classroom and the educational opportunities that can be delivered to those outside the classroom. Alcatel is working with Verizon to complete a deployment of 27,000 IP phones in the Clark County, Nevada, School District. Like many other large school districts, Clark County adopted VoIP because it reduces telecom costs by combining

voice and data networks. The reduced network management overhead means a school can spend more of its resources on teaching, and less on IT management. Further, the IP Telephony system provides more features for the teachers and administrators, such as call blocking during school hours, and increased reliability so there is no single point of failure in the network. Indeed, one application we recently developed would allow a teacher in a classroom that has an emergency to immediately notify the rest of the school by simply pressing a few buttons.

Another example that illustrates the importance of IP:
In October, Alcatel was selected by SBC as its primary network infrastructure and services supplier for Project Lightspeed, which will deliver integrated IP Television and other ultra-high-speed broadband services to 18 million households by year-end 2007. Alcatel will enable SBC to provide this suite of services by building fiber deeper into the SBC network - using shorter copper subloops in existing neighborhoods and building fiber all the way to customers' premises in new housing developments. Equally as important, Alcatel will enable SBC to deliver multiple services with high quality over a single pipe to each home by leveraging the IP technologies it has developed.

This new network will enable SBC to provide broadband Internet access that offers downstream and upstream speeds measured in megabits instead of kilobits. We are all aware of the widespread benefits offered by high speed Internet access – distance learning, telecommuting, telemedicine, and others.

IPTV will offer consumers an additional choice to the video services currently available from cable or satellite providers. For example, IPTV customers may select varying camera angles while watching sports programming – focusing on any one angle or splitting the screen to watch several sporting events at once. Additionally, because this service will be switched video rather than broadcast video, the bandwidth demands on the local access network are no greater than the program the user is currently viewing. This will be a great benefit to organizations wanting to offer niche or unique offerings, such as foreign or educational programming.

Alcatel believes that for IP technologies to flourish in the US, we need an environment that encourages service providers to invest in IP-based networks and this will continue to drive the industry to invest in IP technology and standards development. This also requires a level playing field in which all players have an equal opportunity to rapidly deploy IP technologies without unreasonable constraints or disincentives.

Equally crucial is a continuing focus on education. The US has traditionally been the world leader in the development of IP technologies, in great part thanks to the superior quality of its engineering and science programs. Many countries including China and India are now graduating equally qualified engineers in huge numbers. Innovation is critical for the US if it is to maintain its lead in this ever more competitive environment. The policies that this Congress sets with regard to IP technologies can help ensure that the right incentives are in place to enable the US to continue to lead in IP innovation, and continue to be the choice of those who invest in IP technology development.

Mr. Chairman, I appreciate the opportunity for Alcatel to testify before the Committee, and I would be happy to answer any questions you may have. Thank you.

About Alcatel
Alcatel provides communications solutions to telecommunication carriers, Internet service providers and enterprises for delivery of voice, data and video applications to their customers or employees. Alcatel brings its leading position in fixed and mobile broadband networks, applications and services, to help its partners and customers build a user-centric broadband world. With sales of EURO 12.3 billion in 2004, Alcatel operates in more than 130 countries.